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Practice Update

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ATO focus on taxpayers who vary their PAYG instalments

The ATO is writing to taxpayers who have varied their PAYG instalments to nil over multiple years, reminding them that the general interest charge ('GIC') may apply where their instalments have been significantly understated.

Where varied instalments are **less than 85%** of the total tax payable, the ATO may impose GIC on the difference and, depending on the circumstances, penalties may also be applied.

Taxpayers are advised to maintain appropriate records to support their variation decisions, and review variations where circumstances change.

Editor: Please contact our office if you need any assistance in this regard.

FBT changes for salary sacrificed work-related benefits

From **1 April 2027**, employers will no longer be able to use the **'otherwise deductible rule'** to reduce the taxable value of an expense payment fringe benefit provided to an employee where the expense is:

- work-related;
- covered by the new $1,000 standard deduction; and
- provided under a salary sacrifice arrangement.

This includes where an employer pays for, or reimburses, work-related expenses, such as home office expenses, home phone or internet expenses, or self-education expenses.

However, the otherwise deductible rule can continue to apply where the expense is:

- ❑ not covered by the standard deduction; or
- ❑ covered by the standard deduction but the benefit is not provided under a salary sacrifice arrangement.

Further, from 1 April 2027, certain work-related items will **no longer qualify for the FBT exemption** where they are provided under a salary sacrifice arrangement. These include:

- portable electronic devices;
- computer software;
- protective clothing; and
- briefcases and tools of trade.

Eligible work-related items may still qualify for the exemption where they are not provided under a salary sacrifice arrangement.

Further, under the changes, employers may be able to provide an employee with **more than one eligible work-related item** in an FBT year, even where the items have the same or substantially identical function, and continue to receive the exemption where the items:

- ❑ are mainly used for work purposes; and
- ❑ are not provided under a salary sacrifice arrangement.

This repeals the general **'one-item'** restriction applying to this work-related item exemption from 1 April 2027.

ATO busts common myths under the cents per kilometre method

The ATO has highlighted several misconceptions that commonly lead to incorrect claims under the cents per kilometre method for claiming deductions for car expenses. Common errors include:

- ◆ Claiming travel between home and work, which is generally private and non-deductible;
- ◆ Automatically claiming 5,000 kilometres without the appropriate records (for example, being unable to show how the business kilometres were worked out);
- ◆ Claiming car expenses for a vehicle provided under a novated lease through a salary sacrifice arrangement;
- ◆ Separately claiming the decline in value of a car and other expenses when using the cents per kilometre method; and
- ◆ Using both the cents per kilometre and logbook methods for different periods during the income year.

$20,000 instant asset write-off made permanent

From 1 July 2026, the $20,000 instant asset write-off has been made **permanent** for small businesses.

Businesses with an aggregated turnover of less than $10 million may be able to claim an immediate deduction for the business portion of an eligible depreciating asset costing less than $20,000 in the year the asset is first used or installed ready for use.

Loss carry back is now law

The re-introduced ‘loss carry back’ measure has also now become law, applying to income years starting on or after 1 July 2026.

Where eligible, companies will broadly be able to carry back a tax loss (revenue in nature) and apply it against tax paid in either, or both, of the previous two income years, basically giving rise to a tax refund for the loss year.

More Australians making use of downsizer contributions

The ATO has reported that around 123,000 individuals have made 'downsizer super contributions' since the scheme commenced in 2018, contributing more than $31 billion to super funds.

Broadly, where the various requirements are satisfied, eligible individuals aged 55 years or older can contribute up to $300,000 from the sale of their home into super. Eligible couples may be able to contribute up to $600,000 combined.

ATO extends data-matching programs

The ATO is continuing its **visa data-matching program**, acquiring data from the Department of Home Affairs from the 2027 to the 2029 income years. Under this program, the data collected may include:

- address and contact history for visa applicants, sponsors and migration agents;
- histories of visas granted, including visa subclasses;
- an individual's visa status at a point in time;
- details of migration agents, sponsors and education providers; and
- international travel movements undertaken by visa holders (arrivals and departures).

Data relating to around **9 million individuals** is expected to be collected under this program each financial year.

The ATO is also continuing its **passenger movements data-matching program** for the same period.

Under this program, the data collected by the ATO may include names, dates of birth, arrival and departure dates, passport information and status types (including visa status, residency and citizenship status).

Please note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.